
	<p><b>Indian School Muscat</b>  <b>Department of Commerce and Humanities</b>  <b>Economics</b>  <b>Indian Economic Development</b>  <b>Class – XII</b></p>	
---	--	---

## UNIT III: CURRENT CHALLENGES FACING THE INDIAN ECONOMY

### POVERTY

#### INTRODUCTION

Providing minimum basic needs to the people and reduction of poverty have been the major aims of independent India. The pattern of development in the five year plans gave importance on the upliftment of the poorest of the poor (Antyodaya), integrating the poor into the mainstream and achieving a minimum standard of living for all.

Poverty is not only a challenge for India, as more than one fifth of the world's poor live in India alone. More than 260 million people in India are not able to meet their basic needs. Poverty is a situation that people want to escape. As poverty has many degrees, it has to be looked at through a variety of ways like - levels of income and consumption, social indicators, and indicators of weakness to risks and of socio/political contact.

#### WHO ARE THE POOR?

- Push cart vendors, street cobblers, women who string flowers, rag pickers, vendors and beggars are some examples of poor and vulnerable groups in urban areas.
- They possess few assets.
- They reside in kutcha hutments with walls made of baked mud and roofs made of grass, thatch, bamboo and wood.
- The poorest of them do not even have such home.
- In rural areas many of them are landless. Even if some of them possess land, it is only dry or waste land.
- Many do not get to have even two meals a day.
- Starvation and hunger are the key features of the poorest households.
- The poor lack basic literacy and skills and hence have very limited economic opportunities.
- Poor people also face unstable employment.
- Malnutrition is alarmingly high among the poor. Ill health, disability or serious illness makes them physically weak.
- They borrow from money lenders who charge high rates of interest that lead them into chronic indebtedness.
- The poor are highly vulnerable.
- They are not able to negotiate their legal wages from employers and are exploited.
- Most poor households have no access to electricity.
- Their primary cooking fuel is firewood and cow dung cake.
- A large section of poor people do not even have access to safe drinking water.
- There is evidence of extreme gender inequality in the participation of gainful employment, education and in decision-making within the family.

- Poor women receive less care on their way to motherhood. Their children are less likely to survive or be born healthy.

Poor are also identified on the basis of their occupation and ownership of assets. Rural poor work mainly as landless agricultural labourers, cultivators with very small landholdings, landless labourers who are engaged in a variety of non-agricultural jobs and tenant cultivators with small land holdings.

Urban poor are largely the overflow of the rural poor who had migrated to urban areas in search of alternative employment and livelihood, labourers who do a variety of casual jobs and the self-employed who sell a variety of things on roadsides and are engaged in various activities.

### **HOW ARE POOR PEOPLE IDENTIFIED?**

#### **Before independence**

Dadabhai Naoroji was the first to discuss the concept of a Poverty Line. He used the menu for a prisoner and used appropriate prevailing prices to arrive at what may be called '**jail cost of living**'.

He assumed that one-third population consisted of children and half of them consumed very little while the other half consumed half of the adult diet.

This is how he arrived at the factor of three-fourths;

$$(1/6) (\text{Nil}) + (1/6) (\text{Half}) + (2/3) (\text{Full}) = (3/4) (\text{Full}).$$

The weighted average of consumption of the three segments gives the average poverty line, which comes out to be three-fourth of the adult jail cost of living.

#### **After Independence**

In 1962, the Planning Commission formed a Study Group.

In 1979, another body called the 'Task Force on Projections of Minimum Needs and Effective Consumption Demand' was formed.

In 1989, an 'Expert Group' was constituted for the same purpose.

For the purpose of defining poverty we divide people into two categories; the poor and the non-poor and the poverty line separates the two.

However, there are many kinds of poor; the absolutely poor, the very poor and the poor.

Similarly there are various kinds of non-poor; the middle class, the upper middle class, the rich, the very rich and the absolutely rich.

#### **Categorising Poverty**

1. **Chronic poor:** People who are always poor and those who are usually poor but who may sometimes have a little more money.
2. **Churning poor:** Poor people who regularly move in and out of poverty (example: small farmers and seasonal workers)
3. **Occasionally poor:** People who are rich most of the time but may sometimes have a patch of bad luck. They are called the transient poor.
4. **Non Poor:** Those who are never poor and they are the non-poor

#### **Poverty Line**

One way is to determine it by the money value (per capita expenditure) of the minimum calorie intake that was estimated at 2,400 calories for a rural person and 2,100 for a person in the urban area.

Based on 1999 – 2000, the poverty line was defined for rural areas as consumption worth Rs 328 per person a month and for urban areas it was Rs 454.

### **Drawbacks of Poverty Line**

Scholars state that a major problem with this mechanism is that it groups all the poor together and does not differentiate between the very poor and the other poor.

This mechanism is helpful in identifying the poor as a group to be taken care of by the government, but it would be difficult to identify who among the poor need help the most.

There are many other factors, other than income and assets, which are associated with poverty: for instance, the accessibility to basic education, health care, drinking water and sanitation. The mechanism for determining the Poverty Line also does not take into consideration social factors that trigger and perpetuate poverty such as illiteracy, ill health, lack of access to resources, discrimination or lack of civil and political freedoms.

### **Other measures of Poverty**

Poverty alleviation schemes should be to improve human lives by expanding the range of things that a person could be and could do, such as to be healthy and well-nourished, to be knowledgeable and participate in the life of a community.

From the view of development, poverty is about removing the obstacles to the things that a person can do in life, such as illiteracy, ill health, lack of access to resources, or lack of civil and political freedoms.

### **NUMBER OF POOR IN INDIA**

- When the number of poor is estimated as the proportion of people below the poverty line, it is known as 'Head Count Ratio'.
- The official data on poverty is made available to the public by the Planning Commission. It is estimated on the basis of consumption expenditure data collected by the National Sample Survey Organisation (NSSO).
- In 1973-74, more than 321 million people were below the poverty line.
- In 1999 – 2000, this number has come down to about 260 million.
- In terms of proportion, in 1973-74, about 55 per cent of the total population was below the poverty line. In 1999 – 2000, it has fallen to 26 per cent.
- In 1973-74, more than 80 per cent of the poor resided in rural areas and in 1999-2000, this has come down to about 75 per cent.
- More than three-fourth of the poor in India reside in villages. Also poverty in rural areas has shifted to urban areas.
- In the 1990s, the absolute number of poor in rural areas had decreased whereas the number of their urban counterparts increased marginally.
- The poverty ratio declined continuously for both urban and rural areas.
- Uttar Pradesh, Bihar, Madhya Pradesh, West Bengal and Orissa - account for about 70 per cent of India's poor.
- In 1999-2000, only two states - Bihar and Orissa - were left near that same level.
- Gujarat reduced its people below the poverty line from 48 per cent to 15 per cent during 1973-2000.
- West Bengal has been just as successful; from nearly two-third, i.e. 63 per cent of the population below the poverty line the same was reduced to about 27 per cent.

### **WHAT CAUSES POVERTY?**

Poverty is explained by individual circumstances and/or characteristics of poor people. These are:

- (i) Low levels of education and skills
- (ii) Infirmary, ill health, sickness
- (iii) Discrimination. These can be caused as a result of
  - (i) Social, economic and political inequality
  - (ii) Social exclusion
  - (iii) Unemployment
  - (iv) Indebtedness
  - (v) Unequal distribution of wealth.

Aggregate poverty is just the sum of individual poverty. Poverty is also explained by general, economy-wide problems, such as

- (i) Low capital formation
- (ii) Lack of infrastructure
- (iii) Lack of demand
- (iv) Pressure of population
- (v) Lack of social/welfare nets.

The British rule in India had its impact on Indian living standards. There was substantial de-industrialisation in India under the British rule. Over 70 per cent of Indians were engaged in agriculture throughout the British period. The present day poverty is an overflow of poverty from the British time.

After independence, the government has attempted to redistribute land and has taken land to distribute it to those who do not have any land. However, this move was successful only to a limited extent because large sections of agricultural workers were not able to own farm land. Therefore, a large section of the rural poor in India are the small farmers.

The scheduled castes and scheduled tribes are not able to participate in the emerging employment opportunities in different sectors. Most of the urban poor are either unemployed or occasionally employed as casual labourers. Poverty is, therefore, also closely related to nature of employment. Unemployment or under employment and the casual and irregular nature of work in both rural and urban areas that compels indebtedness, in turn, reinforces poverty. Indebtedness is one of the significant factors of poverty.

A steep rise in the price of food grains and other essential goods at urban and rural economy also is reason that causes poverty.

The urban poor in India are largely the overflow of the rural poor who migrate to urban areas in search of employment and a livelihood.

### **POLICIES AND PROGRAMMES TOWARDS POVERTY ALLEVIATION**

The government's approach to poverty reduction was of three dimensions.

**I - Growth oriented approach:** It is based on the expectation that the effects of economic growth and rapid increase in gross domestic product and per capita income would spread to all sections of society and will trickle down to the poor sections also.

It was felt that rapid industrial development and transformation of agriculture through green revolution in select regions would benefit the underdeveloped regions and the more backward sections of the community.

### **Shortcomings**

Growth of agriculture and industry has not been impressive. Population growth has resulted in a very low growth in per capita incomes. The gap between poor and rich has actually widened. The Green Revolution made worse the disparities regionally and between large and small farmers. There was unwillingness and inability to redistribute land. Economists state that the benefits of economic growth have not trickled down to the poor.

**II - Creating employment opportunities:** Expanding self employment programmes and wage employment programmes are being considered as the major ways of addressing poverty.

### **Self employment**

The main programmes are

1. Rural Employment Generation Programme (REGP),
2. Prime Minister's Rozgar Yojana (PMRY) and
3. Swarna Jayanti Shahari Rozgar Yojana (SJSRY).
  - REGP aims at creating self employment opportunities in rural areas and small towns. The Khadi and Village Industries Commission is implementing it. Under this programme, one can get financial assistance in the form of bank loans to set up small industries.
  - PMRY, the educated unemployed from low income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment
  - SJSRY mainly aims at creating employment opportunities-both self-employment and wage employment-in urban areas.

Under self-employment programmes, financial assistance was given to families or individuals. Now those who wish to benefit from these programmes are encouraged to form self-help groups.

Under SHG, people are encouraged to save some money and lend among themselves as small loans. Later, through banks, the government provides partial financial assistance to SHGs for self employment activities. Swarnjayanti Gram Swarozgar Yojana (SGSY) is one such programme.

### **Wage employment**

National Food for Work Programme (NFWP) and Sampoorna Grameen Rozgar Yojana (SGRY) are wage employment programmes.

In August 2005, the Parliament has passed a new Act known as National Rural Employment Guarantee Act-2005. Under this Act all those among the poor who are ready to work at the minimum wage can report for work in areas where this programme is implemented.

**III - Minimum basic Needs Programme:** India was among the pioneers in the world to anticipate that through public expenditure on social consumption needs - provision of food grains at subsidised rates, education, health, water supply and sanitation people's living standard could be improved.

Programmes under this approach are expected to supplement the consumption of the poor, create employment opportunities and bring about improvements in health and education.

Three major programmes that aim at improving the food and nutritional status of the poor are

- Public Distribution System
- Integrated Child Development Scheme and

- Midday Meal Scheme

Pradhan Mantri Gram Sadak Yojana, Pradhan Mantri Gramodaya Yojana, Valmiki Ambedkar Awas Yojana are also attempts in the same direction.

National Social Assistance Programme helps elderly people who do not have anyone to take care of them are given pension to sustain themselves. Poor women who are destitute and widows are also covered under this scheme.

## **POVERTY ALLEVIATION PROGRAMMES - A CRITICAL ASSESSMENT**

### **Positive**

- The percentage of absolute poor in some states is now well below the national average.
- There is improvement in terms of per capita income and average standard of living
- Some progress towards meeting the basic needs has been made

### **Negative**

- Despite a variety of approaches, programmes and schemes to alleviate poverty: hunger, malnourishment, illiteracy and lack of basic amenities continue to be a common feature in many parts of India.
- None of the programmes resulted in any radical change in the ownership of assets, process of production and improvement of basic amenities to the needy.
- The benefits from direct poverty alleviation programmes have been gone to the non-poor.
- Compared to the extent of poverty, the amount of resources allocated for these programmes is not sufficient.
- Government and bank officials are ill motivated, inadequately trained, corruption prone and helpless to pressure from a variety of local leaders, the resources are inefficiently used and wasted.
- There is also non-participation of local level institutions like Panchayats in programme implementation.
- Government policies have also failed to address the vast majority of vulnerable people who are living on or just above the poverty line.

## **CONCLUSION**

Poverty can effectively be eradicated only when the poor start contributing to growth by their active involvement in the growth process. This is possible through a process of social mobilisation, encouraging poor people to participate and get them empowered. This will also help create employment opportunities which may lead to increase in levels of income, skill development, health and literacy. Moreover, it is necessary to identify poverty stricken areas and provide infrastructure such as schools, roads, power, telecom, IT services, training institutions etc.